

D) NOTES ON THE MAIN INCOME STATEMENT ITEMS: INCOME STATEMENT

23. SALES REVENUES

Revenues from sales and services

The Sogefi Group recorded net revenues for the amount of Euro 1,319,233 thousand during the period, versus Euro 1,158,385 thousand in the previous year. Net of Euro 339,835 thousand (Euro 135,708 thousand in 2011) realised by the Systèmes Moteurs Group, revenues would amount to Euro 979,398 thousand (-4.2% compared to 2011). Exchange rates being equal (at the average exchange rates of the previous year), corresponding revenues would amount to Euro 976,104 thousand (-4.6%).

Revenues from the sale of goods and services break down as follows:

By business sector:

(in thousands of Euro)	2012		2011	
	Amount	%	Amount	%
Engine systems	792,624	60.1	611,505	52.8
Suspension components	528,604	40.1	547,725	47.3
Intercompany eliminations	(1,995)	(0.2)	(845)	(0.1)
TOTAL	1,319,233	100.0	1,158,385	100.0

By geographical area of "destination":

(in thousands of Euro)	2012		2011	
	Amount	%	Amount	%
Europe	877,027	66.5	804,930	69.5
Mercosur	231,398	17.5	240,511	20.8
Nafta	150,569	11.4	72,513	6.3
Asia	46,611	3.5	34,416	3.0
Rest of the World	13,628	1.1	6,015	0.4
TOTAL	1,319,233	100.0	1,158,385	100.0

In 2012, the Group managed to improve the percentage of revenues in non-European markets up to 33.5% (30.5% in the previous period), thanks to notable growth in North America (+107.6%) and Asia (+35.4%), despite a decrease of 3.8% in Mercosur after a slowdown of Brazilian vehicle production in the middle of the year, which persisted until the end of the year in the industrial vehicle sector.

24. VARIABLE COST OF SALES

Details are as follows:

<i>(in thousands of Euro)</i>	2012	2011
Materials	686,597	577,325
Direct labour cost	116,550	104,663
Energy costs	35,942	33,883
Sub-contracted work	22,609	26,999
Ancillary materials	18,904	18,415
Variable sales and distribution costs	43,249	39,900
Royalties paid to third parties on sales	4,022	3,888
Other variable costs	(571)	825
TOTAL	927,302	805,898

The inclusion of Systèmes Moteurs group in the scope of consolidation over the whole year 2012 caused a change in “Variable cost of sales” for the amount of Euro 259,886 thousand at the end of the year 2012, versus 102,092 thousand in 2011.

The percentage on revenues of “Variable cost of sales” rose to 70.3% from 69.6% in 2011. Such growth is mainly accounted for by “Materials”, and their percentage on revenues rose from 49.8% to 52%. The increase is mainly due to the product mix of the Systèmes Moteurs Group, on which materials have a greater impact than other factors.

The overall incidence of direct labour, which includes “Direct labour costs” and the cost of temporary personnel included in “Sub-contracted work” dropped from 10.8% to 10.1%, again as a result of the changed product mix of the Systèmes Moteurs Group.

25. MANUFACTURING AND R&D OVERHEADS

These can be broken down as follows:

<i>(in thousands of Euro)</i>	2012	2011
Labour cost	105,608	84,115
Materials, maintenance and repairs	26,686	23,515
Rental and hire charges	8,876	6,739
Personnel services	8,161	7,477
Technical consulting	5,380	3,733
Sub-contracted work	1,668	1,900
Insurance	3,721	3,156
Utilities	1,611	1,352
Capitalisation of internal construction costs	(34,121)	(18,376)
Other	2,096	1,372
TOTAL	129,686	114,983

“Manufacturing and R&D overheads” show an increase of Euro 14,703 thousand, Euro 16,548 thousand of which incurred by the Systèmes Moteurs Group, whereas a negative exchange effect accounts for Euro 403 thousand. On a like-for-like basis (i.e. not taking into account the Systèmes Moteurs Group), the item decreased by Euro 1,845 thousand (-1.8%) from the previous year.

The main changes net of Systèmes Moteurs figures are commented below:

- “Labour cost” increased by Euro 2,068 thousand mainly because of the increase of direct labour at the Chinese subsidiaries and at subsidiaries Sogefi Purchasing S.A.S. and Allevard Sogefi USA Inc. as well as the expanded R&D activities at subsidiaries S.ARA Composite S.A.S. and Allevard Rejna Autosuspensions S.A.. The increase was partly offset by a significant reduction in labour cost at subsidiary Sogefi Filtration Ltd as a result of the restructuring measures implemented during the year;
- “Technical consulting” grew by Euro 960 thousand mostly due to a more extensive use of consulting services in the development of new products and process improvement at subsidiaries LPDN GmbH and Allevard Sogefi USA Inc.;
- “Materials, maintenance and repairs” were up by Euro 787 thousand overall, mainly pertaining to subsidiary LPDN GmbH.

“Capitalisation of internal construction costs” increased by Euro 5,748 thousand, in particular at Holding Company Sogefi S.p.A. for the development of the Group's new integrated IT system and at the Chinese subsidiaries and subsidiary Allevard Sogefi USA Inc..

Total costs for Research and Development (not reported in the table) amount to Euro 35,895 thousand (2.7% of sales revenues); on a like-for-like basis they amount to Euro 22,312 thousand (2.3% of sales revenues) compared to Euro 21,257 thousand (2.1% of sales revenues) in the previous year.

26. DEPRECIATION AND AMORTISATION

Details are as follows:

<i>(in thousands of Euro)</i>	2012	2011
Depreciation of tangible fixed assets	39,819	36,413
of which: assets under finance leases	1,085	1,010
Amortisation of intangible assets	18,583	13,383
TOTAL	58,402	49,796

“Depreciation and amortisation”, excluding depreciation and amortisation of the Systèmes Moteurs Group, amount to Euro 44,190 thousand, compared to Euro 44,860 thousand in the previous year.

The decrease in this item is mainly traced back to European subsidiaries and is partly offset by increased depreciation and amortisation pertaining to the Chinese subsidiaries and to an increase by Euro 1,396 thousand traced back to the difference in the measurement of fair value of tangible and intangible fixed assets of the Systèmes Moteurs Group after the completion of the Purchase Price Allocation process and their net book value resulting from the financial statements of the different companies of the Group.

Amortisation of intangible assets refers principally to development costs capitalised in previous years. The increase over the previous year (Euro 1,337 thousand net of Systèmes Moteurs) stems for the most part from the completion of the purchase price allocation process of the Systèmes Moteurs Group.

27. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

<i>(in thousands of Euro)</i>	2012	2011
Labour cost	23,587	21,204
Sub-contracted work	5,373	4,482
Advertising, publicity and promotion	3,860	3,771
Personnel services	3,277	2,920
Rental and hire charges	1,577	1,420
Consulting	661	838
Other	932	634
TOTAL	39,267	35,269

On a like-for-like basis, “Distribution and sales fixed expenses” dropped by Euro 110 thousand (-0.3%) from the previous year.

No significant changes occurred in the different items of these types of expenses.

28. ADMINISTRATIVE AND GENERAL EXPENSES

These can be broken down as follows:

<i>(in thousands of Euro)</i>	2012	2011
<i>Labour cost</i>	34,703	30,490
<i>Personnel services</i>	4,795	3,918
<i>Maintenance and repairs</i>	3,917	3,721
<i>Cleaning and security</i>	3,763	3,558
<i>Consulting</i>	6,113	4,547
<i>Utilities</i>	2,868	2,767
<i>Rental and hire charges</i>	3,658	3,743
<i>Insurance</i>	1,309	1,319
<i>Participation des salaries</i>	1,737	976
<i>Administrative, financial and tax-related services provided by Parent Company</i>	1,820	1,820
<i>Audit fees</i>	1,626	1,365
<i>Directors' and statutory auditors' remuneration</i>	1,445	1,368
<i>Sub-contracted work</i>	610	648
<i>Other</i>	3,519	4,156
TOTAL	71,883	64,396

“Administrative and general expenses” rise to Euro 62,867 thousand on a like-for-like basis, recording an increase of Euro 2,430 thousand (+4%).

The increase in “Labour cost” (+ Euro 1,729 thousand on a like-for-like basis) mainly originates from the following factors:

- newly workforce at subsidiary Allevard Rejna Autosuspensions S.A., which set up an International Development Team to manage the new strategic initiatives of the Suspension Components Division;
- wage inflation adjustments at the Argentinian subsidiaries;
- newly workforce at subsidiary Filtrauto S.A. engaged in the management of IT systems, at Chinese subsidiaries to complete the administration department and at the Holding Company Sogefi S.p.A..

The increase by Euro 611 thousand (on a like-for-like basis) of item “Personnel services” mainly relates to higher travelling expenses incurred by subsidiary Filtrauto S.A., for the most part traced back to the IT department, by subsidiary Allevard Rejna Autosuspension S.A., mainly traced back to the International Development Team mentioned above, and by the Chinese subsidiaries for travelling expenses associated with the establishment of the new company Sogefi (Suzhou) Auto Parts Co., Ltd.

Conversely, the increase in “Consulting” (Euro 1,050 thousand on a like-for-like basis) mainly pertains to the Holding Company Sogefi S.p.A. and to the Chinese subsidiaries in relation to the establishment of the new company.

The decrease by Euro 980 thousand in item “Other” on a like-for-like basis is mostly originated from subsidiaries Allevard Rejna Autosuspensions S.A. and LPDN GmbH that released certain funds that had been allocated during the past years.

29. PERSONNEL COSTS

Personnel

Regardless of their destination, “Personnel costs” as a whole can be broken down as follows:

<i>(in thousands of Euro)</i>	2012	2011
Wages, salaries and contributions	276,810	236,851
Pension costs: defined benefit plans	2,088	2,028
Pension costs: defined contribution plans	1,636	1,594
Participation des salaries	1,737	976
Imputed cost of stock option and stock grant plans	1,233	611
Other costs	535	529
TOTAL	284,039	242,589

With respect to the previous year, “Personnel costs” have risen by Euro 41,450 thousand (+17%), of which Euro 36,938 thousand originate from the inclusion of the Systèmes Moteurs Group in the scope of consolidation starting from August of the previous year. On a like-for-like basis and exchange rates being equal, the increase would have amounted to Euro 3,378 thousand (+1.5%) and reflects the widespread increase in prices.

The impact of “Personnel costs” on sales revenues rises from 20.9% in the previous year to 21.5% in the current year. This increase is mainly due to a more extensive use of employees rather than temporary workers; the impact of total labour cost (employees and temporary workers) on sales revenues is stable at 23%.

The increase in “Participation des salaries” is mainly due to the full-year consolidation of the Systèmes Moteurs Group.

“Wages, salaries and contributions”, “Pension costs: defined benefit plans” and “Pension costs: defined contribution plans” are posted in the tables provided above at lines “Labour cost” and “Administrative and general expenses”.

“Participation des salaries” is included in “Administrative and general expenses”.

“Other costs” is included in “Administrative and general expenses”.

“Imputed cost of stock option and stock grant plans” is included in “Other non-operating expenses (income)”. The following paragraph “Personnel benefits” provides details of the stock option and stock grant plans.

The average number of Group employees, broken down by category, is shown in the table below:

(Number of employees)	2012	2011
Managers	114	97
Clerical staff	1,812	1,491
Blue collar workers	4,816	4,501
TOTAL	6,742	6,089

The increase in the average number of employees is traced back to the full-year consolidation of the Systèmes Moteurs Group.

Personnel benefits

Sogefi S.p.A. implements stock-based incentive plans for the Managing Director and for managers of the Company and its subsidiaries that hold important positions of responsibility within the Group. The purpose is to foster greater loyalty to the Group and to provide an incentive that will raise their commitment to improving business performance and generating value in the long term.

The stock-based incentive plans of Sogefi S.p.A. are first approved by the Shareholders' Meeting.

Except as outlined at the following paragraphs "Stock grant plans", "Stock option plans" and "Phantom stock option plans", the Group has not carried out any other transaction that involves the purchase of goods or services with payments based on shares or any other kind of instrument representing portions of equity. As a result, it is not necessary to disclose the fair value of such goods or services.

As laid down in IFRS 2, only plans allocated after November 7, 2002 must be considered (note that the Company does not have any plans prior to said date) and therefore, in addition to that issued in 2012, the plans issued in the period from 2004 until 2011 must also be considered. The main details of these plans are provided below.

Stock grant plans

The stock grant plans provide for the free assignment of conditional rights (called "units") that cannot be transferred to third parties or other beneficiaries; each of them entitles to the free assignment of one Sogefi S.p.A. share. There are two categories of rights under these plans: Time-based Units, that vest upon the established terms and Performance Units, that vest upon the established terms provided that shares have achieved the target price value established in the regulation.

The regulation provides for a minimum holding period during which the shares held for the plan can not be disposed of.

All shares assigned under these plans will be treasury shares held by Sogefi S.p.A.. According to the regulation, a pre-condition for assigning the shares is a continued employer-employee relationship or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period of the rights.

On April 19, 2012, after the Shareholders' Meeting approved the 2012 stock grant plan to assign a maximum of 1,600,000 conditional rights, the Board of Directors executed the 2012 stock grant plan restricted to the Managing Director of the Company and to managers of the Company and its subsidiaries, who were assigned a total of 1,152,436 Units (480,011 of which were Time-based Units and 672,425 Performance Units).

Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2014 and ending on January 31, 2016.

Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as defined in the Regulation) at that date.

The fair value of the rights assigned during 2012 has been determined at the time the rights were assigned using the Cox, Ross and Rubinstein binomial option pricing model for US options and amounts to Euro 2,153 thousand overall.

Input data used for measuring the fair value of the 2012 stock grant plan are provided below:

- curve of EUR/GBP/SEK/CHF-riskless interest rates as of April 19, 2012;*
- prices of the underlying asset (equal to price of Sogefi S.p.A. share as of April 19, 2012, and equal to Euro 2.144) and of the securities included in the benchmark basket, again as of April 19, 2012;*
- standard prices of Sogefi S.p.A. share, and of the securities included in the benchmark basket, during the period starting on March 12, 2012 and ending on April 19, 2012 for the determination of the stock grant Performance Units limit;*
- historical volatility rate of stock and exchange rates during 260 days, as of April 19, 2012;*
- null dividend yield for stock grant valuation;*
- historical series of the logarithmic returns of involved securities and EURGBP, EURSEK and EURCHF exchange rates to calculate the correlation among securities and among the three non-EUR denominated securities and associated exchange rates (to adjust for estimated trends);*
- 200,000 simulations were used for the MC simulation.*

The main characteristics of the stock grant plans approved during previous years and still under way are outlined below:

- 2011 stock grant plan for a maximum of 1,250,000 conditional rights, restricted to the Managing Director of the Company and managers of the Company and its subsidiaries through the assignment of 757,500 units (320,400 of which are Time-based Units and 437,100 Performance Units).*

Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2013 and ending on January 20, 2015.

Performance Units will vest at the same vesting dates established for Time-based Units, provided that the price value of shares at vesting date is at least equal to the percentage of the initial value indicated in the regulation.

The imputed cost for 2012 for existing plans is Euro 1,130 thousand, booked to the Income Statement under “Other non-operating expenses (income)”.

The table below reports the overall number of existing units relating to the plans of period 2011-2012:

	2012	2011
Not exercised/not exercisable at the start of the year	757,500	-
Granted during the year	1,152,436	757,500
Cancelled during the year	(55,318)	-
Exercised during the year	-	-
Not exercised/not exercisable at the end of the year	1,854,618	757,500
Exercisable at the end of the year	-	-

Stock option plans

The stock option plans provide participants with the opportunity to exercise an option to subscribe to newly-issued Sogefi shares at a set price and within a specific period of time. According to the regulation, a pre-condition for exercising the option is a continued employer-employee relationship with or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period.

The main characteristics of the stock option plans approved during previous years and still under way are outlined below:

- 2004 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,880,000 ordinary shares (1.61% of share capital as of December 31, 2012) at a price of Euro 2.64 per share, to be exercised at the end of each four-month period starting on September 30, 2004 and ending on September 30, 2014;
- 2005 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,930,000 shares (1.65% of the share capital as of December 31, 2012) with a subscription price of Euro 3.87, to be exercised between September 30, 2005 and September 30, 2015;
- 2006 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,770,000 shares (1.52% of the share capital as of December 31, 2012) with a subscription price of Euro 5.87, to be exercised between September 30, 2006 and September 30, 2016;
- 2007 stock option plan restricted to employees of the foreign subsidiaries for a maximum of 715,000 shares (0.61% of the share capital as of December 31, 2012) with an initial subscription price of Euro 6.96, to be exercised between September 30, 2007 and September 30, 2017. On April 22, 2008, the Board of Directors, under the authority vested in it by the Shareholders' Meeting, adjusted the exercise price from Euro 6.96 to Euro 5.78 to take into account the extraordinary portion of the dividend distributed by the Shareholders' Meeting on the same date;
- 2008 stock option plan restricted to employees of the foreign subsidiaries for a maximum of 875,000 shares (0.75% of the share capital as of December 31, 2012) with a subscription price of Euro 2.1045, to be exercised between September 30, 2008 and September 30, 2018.
- 2009 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 2,335,000 shares (2% of the share capital as of December 31, 2012) with a subscription price of Euro 1.0371, to be exercised between September 30, 2009 and September 30, 2019.
- 2009 extraordinary stock option plan restricted to beneficiaries of 2007 and 2008 phantom stock option plans, still employed by the Company or by its subsidiaries, after having waived their rights under the above-mentioned phantom stock option plans, for a maximum of 1,015,000 shares (0.87% of share capital as of December 31, 2012) of which 475,000 (first Tranche options) with a subscription price of Euro 5.9054, to be exercised between June 30, 2009 and September 30, 2017 and 540,000 (second Tranche options) with a subscription price of Euro 2.1045, to be exercised between June 30, 2009 and September 30, 2018;

- 2010 stock option plan restricted to the Managing Director of the Company and managers of the Company and its subsidiaries for a maximum of 2,440,000 shares (2.09% of the share capital as of December 31, 2012) with a subscription price of Euro 2.3012, to be exercised between September 30, 2010 and September 30, 2020.

The imputed cost for 2012 for existing plans is Euro 103 thousand, booked to the Income Statement under “Other non-operating expenses (income)”.

The following table shows the total number of existing options with reference to the 2004–2010 plans and their average price of the year:

	2012		2011	
	Number	Average price of the year	Number	Average price of the year
Not exercised/not exercisable at the start of the year	7,767,400	3.02	8,244,400	2.99
Granted during the year	-	-	-	-
Cancelled during the year	(498,600)	4.19	(249,000)	3.70
Exercised during the year	(90,400)	1.04	(228,000)	1.35
Not exercised/not exercisable at the end of the year	7,178,400	2.96	7,767,400	3.02
Exercisable at the end of the year	5,760,400	3.22	5,094,200	3.63

The line “Not exercised/not exercisable at the end of the year” refers to the total number of options, net of those exercised or cancelled during the current and previous years.

The line “Exercisable at the end of the year” refers to the total amount of options matured at the end of the period and not yet subscribed.

Details of the number of options exercisable at December 31, 2012 are given below:

	Total
Number of exercisable options remaining at December 31, 2011	5,094,200
Options matured during the year	1,375,000
Options cancelled during the year	(618,400)
Options exercised during the year	(90,400)
Number of exercisable options remaining at December 31, 2012	5,760,400

Phantom stock option plans

Unlike traditional stock option plans, phantom stock option plans do not envisage the granting of a right to subscribe or to purchase a share, but entail paying the beneficiaries an extraordinary variable cash amount corresponding to the difference between the Sogefi share price in the option exercise period and the Sogefi share price at the time the option was awarded.

In 2009, as shown in the paragraph entitled “Stock option plans”, the Holding Company gave the beneficiaries of the 2007 and 2008 phantom stock option plans the opportunity to waive the options of the above-mentioned plans and to join the 2009 extraordinary stock option plan.

The main characteristics of existing plans are as follows:

- 2007 phantom stock option plan restricted to the Managing Director, managers and project workers of the Holding Company and to managers of Italian subsidiaries, for a maximum of 1,760,000 options at the initial grant price of Euro 7.0854, adjusted to Euro 5.9054 in 2008, to be exercised between September 30, 2007 and September 30, 2017. Following subscription to the 2009 extraordinary stock option plan, 475,000 options were waived;
- 2008 phantom stock option plan restricted to the Managing Director and managers of the Holding Company and to managers of Italian subsidiaries, for a maximum of 1,700,000 options at the grant price of Euro 2.1045, to be exercised between September 30, 2008 and September 30, 2018. Following subscription to the 2009 extraordinary stock option plan, 540,000 options were waived.

Details of the number of phantom stock options as of December 31, 2012 are given below:

	2012
Not exercised/not exercisable at the start of the year	1,830,000
Granted during the year	-
Cancelled during the year	-
Exercised during the year	-
Not exercised/not exercisable at the end of the year	1,830,000
Exercisable at the end of the year	1,830,000

The fair value as of December 31, 2012 of the options awarded was calculated using the Black-Scholes method and amounts to Euro 30 thousand. The positive change compared to the previous year, corresponding to Euro 29 thousand, was booked to the Income Statement under "Directors' and statutory auditors' remuneration".

30. RESTRUCTURING COSTS

These amount to Euro 12,242 thousand (compared with Euro 8,754 thousand the previous year) and relate to restructuring plans already under way mainly in the engine systems division aimed at downsizing the Llantrisant plant in Wales.

“Restructuring costs” are made up of the accruals to the “Provision for restructuring” (Euro 6,945 thousand, net of the not used provisions made during the previous years) and for the remaining part of costs incurred and paid during the year.

31. LOSSES (GAINS) ON DISPOSAL

Net gains amount to Euro 7,675 thousand (versus net losses for the amount of Euro 101 thousand as of December 31, 2011) and arise for the most part from the sale of real estate property of subsidiary Sogefi Filtration Do Brasil Ltda.

32. EXCHANGE (GAINS) LOSSES

Net exchange losses as of December 31, 2012 amounted to Euro 655 thousand (Euro 866 thousand as of December 31, 2011).

33. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to Euro 24,696 thousand compared with Euro 19,836 thousand the previous year. The following table shows the main elements:

<i>(in thousands of Euro)</i>	2012	2011
<i>Indirect taxes</i>	8,759	6,972
<i>Other fiscal charges</i>	4,150	2,996
<i>Imputed cost of stock option and stock grant plans</i>	1,233	611
<i>Other non-operating expenses (income)</i>	10,554	9,257
TOTAL	24,696	19,836

“Indirect taxes” include tax charges such as property tax, taxes on sales revenues (French companies), non-deductible VAT and taxes on professional training.

“Other fiscal charges” consist of the cotisation économique territoriale (previously called taxe professionnelle) relating to the French companies, which is calculated on the value of fixed assets and on added value. The increase reflects Euro 1,142 thousand relating to subsidiary Systèmes Moteurs S.A.S..

The main components of “Other non-operating expenses (income)” are as follows:

of which non-recurring:

- write-downs of assets for the amount of Euro 3,208 thousand relating to subsidiary Sogefi Filtration Ltd for the restructuring process under way;*
- costs for business development consulting for the amount of Euro 2,195 thousand incurred by Holding Company Sogefi S.p.A.;*
- write-downs of assets, inventory and other expenses for the amount of Euro 2,127 thousand, mainly relating to the subsidiary Allevard Sogefi U.S.A. Inc.;*

of which recurring:

- minor writedowns of tangible and intangible fixed assets for the amount of Euro 134 thousand;*
- net actuarial losses for the amount of Euro 1,370 thousand originated from pension fund valuation;*
- provisions for legal disputes with employees and third parties mainly relating to the subsidiaries Sogefi Filtration do Brasil Ltda, Sogefi Rejna S.p.A., Allevard Rejna Argentina S.A. and Allevard Molas do Brasil Ltda for a total of Euro 1,025 thousand;*
- pension costs for employees no longer on the books of Allevard Federn GmbH for the amount of Euro 134 thousand;*
- other recurring costs for the amount of Euro 361 thousand.*

34. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

<i>(in thousands of Euro)</i>	2012	2011
<i>Interest on amounts due to banks</i>	10,676	8,669
<i>Financial charges under lease contracts</i>	428	449
<i>Loss on interest-bearing hedging instruments</i>	2,143	1,302
<i>Other interest and commissions</i>	4,933	4,654
TOTAL FINANCIAL EXPENSES	18,180	15,074

Financial income is detailed as follows:

<i>(in thousands of Euro)</i>	2012	2011
<i>Gain on interest-bearing hedging instruments</i>	22	47
<i>Interest on amounts given to banks</i>	1,027	1,589
<i>Financial component of pension funds and termination indemnities</i>	471	541
<i>Other interest and commissions</i>	186	217
TOTAL FINANCIAL INCOME	1,706	2,394
TOTAL FINANCIAL EXPENSES (INCOME), NET	16,474	12,680

“Financial expenses, net” show an increase of Euro 3,794 thousand basically due to the higher net financial indebtedness as a result of the acquisition of the Systemes Moteurs Group.

35. LOSSES (GAINS) FROM EQUITY INVESTMENTS

As of December 31, 2012, this item amounts to zero.

36. INCOME TAXES

<i>(in thousands of Euro)</i>	2012	2011
<i>Current taxes</i>	22,048	18,667
<i>Deferred tax liabilities (assets)</i>	(8,772)	(451)
<i>Income (expenses) from Group tax filing system</i>	495	389
TOTAL	13,771	18,605

The year 2012 recorded a tax rate of 29.7% compared to 40.6% in the previous year.

The line “Income (expenses) from Group tax filing system” includes the payment for the fiscal surplus received from the companies that have joined the CIR Group tax filing system.

A reconciliation between the standard tax rate (that of the Holding Company Sogefi S.p.A.) and the effective tax rate for 2012 and 2011 is shown in the table below. Taxes have been calculated at the domestic rates applicable in the various countries. The differences between the rates applied in the various countries and the standard tax rate are included in the line “Other permanent differences and tax rate differentials”.

(in thousands of Euro)	2012		2011	
		Tax rate %		Tax rate %
Result before taxes	46,301	27.5%	45,807	27.5%
Theoretical income taxes	12,733		12,597	
Effect of increases (decreases) with respect to the standard rate:				
Statutory amortisation of goodwill	(247)	-0.5%	(249)	-0.5%
Non-deductible costs, net	283	0.6%	6	0.0%
Use of deferred tax assets not recognised in previous years	(6,185)	-13.4%	(487)	-1.1%
Deferred tax assets on losses for the year not recognised in the financial statements	5,864	12.7%	2,171	4.7%
Taxed portion of dividends	938	2.0%	1,008	2.2%
Other permanent differences and tax rate differentials	385	0.8%	3,560	7.8%
Income taxes in the consolidated income statement	13,771	29.7%	18,605	40.6%

The item “Use of deferred tax assets not recognised in previous years” mainly relates to subsidiary Allevard Sogefi USA Inc.. As of December 31, 2012, deferred tax assets on losses from previous years were recognised. Based on the revenue outlook of the company as per long-term plans, it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised.

“Deferred tax assets on losses for the year not recognised in the financial statements” are mainly attributable to the subsidiary Sogefi Filtration Ltd and French subsidiaries of the Suspension Components Division, for which there was no probability at the end of the year that such losses would be recovered.

The “Taxed portion of dividends” refers to the portion of dividends received from Group companies that is not tax-exempt.

The item “Other permanent differences and tax rate differentials” includes Euro 691 thousand that are related to IRAP taxation request of reimbursement regarding personnel cost, which is deductible from IRES taxation in the period from 2007 to 2011.

37. DIVIDENDS PAID

Dividends paid during the year 2012 amounted to Euro 14,716 thousand, corresponding to a dividend per share of Euro 0.13.

The Company did not issue any shares other than ordinary shares; treasury shares are always excluded from the dividend.

38. EARNINGS PER SHARE (EPS)

Basic EPS

	2012	2011
Net result attributable to the ordinary shareholders (in thousands of Euro)	29,325	24,046
Weighted average number of shares outstanding during the year (thousands)	112,772	114,326
Basic EPS (Euro)	0.260	0.210

Diluted EPS

The Company only has one category of potential ordinary shares, namely those deriving from the potential conversion of the stock options granted to Group employees.

	2012	2011
Net result attributable to the ordinary shareholders (in thousands of Euro)	29,325	24,046
Average number of shares outstanding during the year (thousands)	112,772	114,326
Weighted average number of shares potentially under option during the year (thousands)	1,075	2,024
Number of shares that could have been issued at fair value (thousands)	(561)	(1,513)
Adjusted weighted average number of shares outstanding during the year (thousands)	113,286	114,837
Diluted EPS (Euro)	0.259	0.209

The “Weighted average number of shares potentially under option during the year” represents the average number of shares that are potentially outstanding under stock option plans (only for potentially dilutive options, i.e. with an exercise price lower than the average annual fair value of the ordinary shares of Sogefi S.p.A.), for which the subscription right has vested but has not yet been exercised at the end of reporting period. These shares have a potentially dilutive effect on basic EPS and are therefore taken into consideration in the calculation of diluted EPS.

The “Number of shares that could have been issued at fair value” represents the normalisation factor, being the number of shares that would have been issued dividing the proceeds that would have been received from subscription of the stock options by the average annual fair value of the Sogefi S.p.A. ordinary shares, which in 2012 amounted to Euro 1.9856, compared to Euro 2.4062 in 2011.

Please note that 4,397,072 shares that could dilute basic EPS in the future were not included in the calculation of diluted EPS for 2012 because their exercise price is higher than the average annual fair value of the ordinary shares of Sogefi S.p.A. in 2012.